

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2712 - HB 2917

February 20, 2012

SUMMARY OF BILL: Requires the Department of Correction (DOC) to cap non-contract payments to correctional healthcare providers at 110 percent of the federal Medicare reimbursement rate. Requires non-contract correctional healthcare claims to be submitted to DOC in an electronic format. Requires hospitals and other medical service providers to bill Medicaid for all eligible inmate inpatient hospital and professional services. Requires the Department to implement state-of-the-art clinical code editing technology; predictive modeling and analytics technologies; and correctional healthcare claims audit and recovery services. Authorizes the Department to sign an intergovernmental agreement with another state already receiving these services.

Requires the Department, within three months after the completion of the first implementation year, to report to the Senate and House of Representatives State and Local Government Committees and to make public such report that includes, but is not limited to, a description of the system implementation and technologies used; actual and projected savings to state correctional healthcare programs; modifications or refinements that should be made to increase the amount of actual or projected savings or mitigate any adverse impact on correctional healthcare beneficiaries or providers; an analysis of the extent to which the use of these technologies successfully prevented or detected inappropriate, inaccurate, or erroneous activity in correctional healthcare programs; and a review of whether the technologies affected access to, or the quality of, items and services furnished to correctional healthcare beneficiaries. Requires the Department to provide a follow-up report within three months after the completion of the second and third implementation years.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – It is difficult to determine to what extent the Department of Correction could reduce offender health care costs by requiring hospitals and other medical service providers to bill Medicaid for eligible offender inpatient hospital and professional services. Any current costs that the Department is incurring for hospital and medical services that will be paid through Medicaid, if approved by the federal government, will receive federal matching funds.

The current federal match rate for medical services is 66.188 percent of the total costs and the administrative match is 50 percent. Based on information provided by the Bureau of TennCare, it is reasonably estimated that cost savings in the first year of implementation could exceed \$300,000 in medical services alone. Should the state receive federal matching funds for the determination of Medicaid eligibility, the savings to state funds would increase due to the shift of those expenditures being covered by federal funds. It is difficult to determine, at this time, which administrative expenditures would receive federal matching funds.

Assumptions:

- The DOC is unable to provide estimates at this time on savings resulting from requiring hospitals and other medical service providers to bill Medicaid for eligible offender inpatient hospital and professional services.
- According to the 2010 North Carolina Performance Audit Report, because the federal government reimburses the state approximately \$0.65 for every \$1.00 spent on Medicaid, billing Medicaid for eligible offender inpatient health care would reduce the DOC's costs by transferring those costs to the federal government. Additionally, the state should be able to recover 50 percent of administrative costs the DOC incurs for staffing, training, and performing Medicaid eligibility determinations.
- According to *The Florida Senate Issue Brief 2011-213*, in FY08-09 the Florida Department of Corrections' spending for health care fell by \$20.8 million from the previous fiscal year. This reduction can largely be attributed to new legislation limiting the billing rate for non-contract health services and more effective implementation of managed care practices by the Department.
- According to DOC, it would have to purchase an electronic health record system to process claims, computers, and hire additional staff in order to implement this program. DOC estimates an increase in state expenditures of \$7,792,000 for an electronic health record system (\$7,300,000) and eight additional staff positions (\$397,000) and computers, phones and related supplies (\$95,000).
- According to the Bureau of TennCare, it does not currently cover any medical services for offenders while they are incarcerated. The Bureau estimates 10 percent or 2,910 offenders (29,100 x 10%) of the total offender population would be TennCare eligible.
- There were approximately four and one-tenth percent or 820 (4.1 % x 20,000 DOC) offenders hospitalized in 2011. The Bureau estimates four and one-tenth percent, or 119, of the TennCare eligible offenders would be hospitalized. The cost per hospitalization is estimated to be \$4,052 resulting in a recurring increase in expenditures of \$482,188 (\$4,052 x 119 offenders) if the Bureau were to reimburse providers for offender inpatient care. Of this amount, \$163,037.41 would be state funds at a rate of 33.812 percent and \$319,150.59 would be federal funds at a match rate of 66.188 percent.
- The Department will not require additional resources to provide the required reports to the State and House of Representatives State and Local Government Committees.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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